

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

AN EXAMINATION OF THE APPLICATION OF)	
THE FUEL ADJUSTMENT CLAUSE OF EAST)	CASE NO.
KENTUCKY POWER COOPERATIVE, INC.)	2015-00233
FROM NOVEMBER 1, 2014 THROUGH APRIL)	
30, 2015)	

ORDER

Pursuant to 807 KAR 5:056, the Commission established this case on August 14, 2015, to review and evaluate the operation of the Fuel Adjustment Clause ("FAC") of East Kentucky Power Cooperative, Inc. ("East Kentucky") for the six-month period that ended on April 30, 2015. As part of this review, East Kentucky submitted certain information, pursuant to Commission Order, concerning its compliance with 807 KAR 5:056. The Commission held a public hearing on this matter on October 7, 2015. On October 20, 2015, East Kentucky filed its response to requests made at the hearing.

Purchase Power Costs

On July 10, 2015, the Commission reaffirmed its January 30, 2015 Order in Case No. 2014-00226¹ in which it disallowed for recovery through the FAC East Kentucky's power purchases in excess of its highest-cost unit for the period January 1, 2014 through April 30, 2014.² In the instant proceeding, East Kentucky stated that the

¹ Case No. 2014-00226, *An Examination of the Application of the Fuel Adjustment Clause of East Kentucky Power Cooperative, Inc. from November 1, 2013 through April 30, 2014* (Ky. PSC July 10, 2015).

² Prior to January 2014, East Kentucky limited its recovery of power purchases to its highest-cost unit available to be dispatched.

amount of power purchases recovered through the FAC in excess of its highest-cost unit was \$270,483.³ Therefore, by this Order, the Commission will require East Kentucky to refund this amount to its member cooperatives.

PJM Billing Codes 1245 and 2245

It was discovered during East Kentucky's last FAC review proceeding, Case No. 2014-00451,⁴ that PJM Interconnection, Inc. ("PJM") Billing Codes 1245, Pre-Emergency and Emergency Load Response Charge, and 2245, Emergency Load Response Credit, were being included in the calculation of East Kentucky's FAC.⁵ The Commission determined in that proceeding that the inclusion of these two billing codes in the FAC calculation was not appropriate and required East Kentucky to refund \$83,167.76 to its member cooperatives for the two-year review period. East Kentucky was questioned about the inclusion of these billing codes in the FAC calculation for the six months of this review period and responded that there was no activity for PJM Billing Codes 1245 and 2245.⁶ Therefore, no refunds are required for this review period.

PJM Billing Codes 1370 and 2370

In its August 11, 2015 Order in Case No. 2014-00451, the Commission authorized East Kentucky to include PJM Billing Codes 1370, Day-ahead Operating

³ East Kentucky's Response to the Commission's Order (Ky. PSC Aug. 14, 2015), Appendix, Item 26. East Kentucky included in its FAC purchases in excess of its highest-cost unit of \$224,353 for November 2014 and \$46,130 for December 2014. East Kentucky reported that no costs in excess of its highest-cost unit were included for the months of January through April 2015.

⁴ Case No. 2014-00451, *An Examination of the Application of the Fuel Adjustment Clause of East Kentucky Power Cooperative, Inc. from November 1, 2012 through October 31, 2014* (Ky. PSC Aug. 11, 2015).

⁵ PJM is the regional transmission organization of which East Kentucky is a member.

⁶ East Kentucky's Response to the Commission's Order (Ky. PSC Aug. 14, 2015), Appendix, Item 27.

Reserve Charges, and 2370, Day-ahead Operating Reserve Credits, in the calculation of its FAC. In that proceeding, the Commission authorized East Kentucky to collect an additional \$2,264,707.35 for the two-year review period ending October 31, 2014. However, that amount included net amounts for PJM Billing Codes 1370 and 2370 for the expense months of November 2014 and December 2014, which are subject to review in this six-month review period.⁷ Therefore, given that East Kentucky is currently collecting through its FAC the net amounts for PJM Billing Codes 1370 and 2370 for November and December 2014,⁸ the Commission finds that East Kentucky should be allowed to collect a total of \$984,939.34 for PJM Billing Codes 1370 and 2370 for the expense months of January 2015 through April 2015.⁹ Netting the \$984,939.34 with the disallowed purchase power costs of \$270,483 discussed previously, East Kentucky should be allowed to collect a total of \$714,456.34. By this Order, the Commission will allow East Kentucky to collect \$178,614.09 each month for four months through its FAC.

The Commission has previously established East Kentucky's base fuel cost as 30.14 mills per kWh.¹⁰ A review of East Kentucky's monthly FAC filings shows that the fuel cost billed for the six-month period under review ranged from a low of 22.82 mills in

⁷ Case No. 2014-00451, *East Kentucky Power Cooperative, Inc.*, Response to Commission Staff's Second Request for Information, Item 4.b., shows that the \$2,264,707.35 included a net amount of \$99,111.66 for November 2014 and \$99,487.80 for December 2014.

⁸ East Kentucky's Response to Commission Staff's Post-Hearing Data Request, Item 7.b.

⁹ See East Kentucky's Response to Commission Staff's Second Request for Information, Item 3, and to Commission Staff's Post-Hearing Data Request, Item 7.c.

¹⁰ Case No. 2010-00491, *An Examination of the Application of the Fuel Adjustment Clause of East Kentucky Power Cooperative, Inc. from November 1, 2008 through October 31, 2010* (Ky. PSC May 31, 2011).

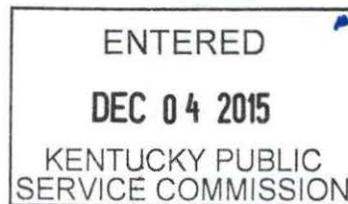
April 2015 to a high of 29.34 mills in November 2014, with a six-month average of 26.14 mills.

The Commission, having considered the evidence of record and being otherwise sufficiently advised, finds no evidence of improper calculation or application of East Kentucky's FAC charges or improper fuel procurement practices.

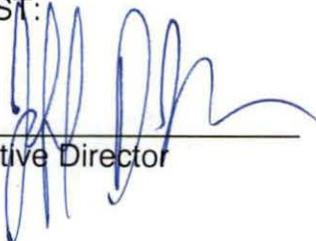
IT IS THEREFORE ORDERED that:

1. The charges and credits billed by East Kentucky through its FAC for the period November 1, 2014, through April 30, 2015, are approved.
2. Beginning with its first FAC filing following the date of this Order, East Kentucky shall be authorized to collect \$178,614.09 through its FAC each month for four months for a total of \$714,456.34.

By the Commission



ATTEST:



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